

**Senate Budget and Fiscal Review Subcommittee #4 on
Legislative, Executive, Judiciary, Transportation, and
General Government**

**Senator Joseph Dunn, Chair
Senator Dick Ackerman
Senator Denise Ducheny**

**Wednesday, April 9, 2003
1:30 p.m.
Room 2040**

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0950**State Treasurer**

The State Treasurer is responsible for the custody of all monies and securities belonging to or held in trust by the state; investment of state monies; administration of the sale of state bonds; and payment of warrant drawn by the State Controller and other state agencies. The proposed budget is \$20.7 million (\$6.4 million GF).

0956**California Debt and Investment Advisory Commission**

The California Debt and Investment Advisory Commission (CDIAC) assists state and local governments to effectively and efficiently issue, monitor and manage public debt. It also provides a municipal education and oversight program to help local governments safely and effectively invest public funds. The Commission consists of nine members including the State Treasurer; the Governor or the Director of Finance; the State Controller; two local government finance officers appointed by the Treasurer; two members of the Assembly appointed by the Speaker of the Assembly; and two members of the Senate appointed by the Senate Rules Committee.

Issue

1. General Fund Loan. The budget proposes a loan from the California Debt and Investment Advisory Commission (CDIACF) to the GF of \$3 million in 2003-04.

The CDIACF has estimated revenues of \$2.4 million and a beginning balance of \$5.7 million in 2003-04. Estimated expenditures are \$1.9 million. The loan would leave a reserve of \$3.2 million, or 168 percent of expenditures in the fund.

The loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer. There is intent language that repayment shall be made to ensure that the programs supported by this fund are not adversely affected by the loan.

Does the Subcommittee wish to approve the loan?

0968 California Tax Credit Allocation Committee

The California Tax Credit Allocation Committee allocates federal and state low income housing tax credits to promote the development of rental housing and also allocates mortgage revenue bond authority for ownership housing.

Issues

1. General Fund Loan. The budget included a loan from the Tax Credit Allocation Fee Account (TCAFA) to the GF of \$27 million in 2002-03. The budget includes an additional loan of \$3 million in the budget year.

The TCAFA has estimated revenues of \$5.0 million and a beginning balance of \$1.5 million in 2003-04. Estimated expenditures are \$1.5 million. The loan would leave a reserve of \$2.0 million, or 133 percent of the expenditures from the fund.

The loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer. There is intent language that repayment shall be made to ensure that the programs supported by this fund are not adversely affected by the loan.

Does the Subcommittee wish to approve the loan?

9210 Local Government

The Local Government Finance item proposes \$330 million in funding for local agencies. The state provides other assistance to local governments, primarily counties, through other direct programs budgeted in other items in the budget. Health and Human Services has numerous programs where the state and counties jointly provide funding for services. State funding is included in Public Safety for such issues as local crime labs and suppression of high intensity drug trafficking areas.

Summary of Expenditures			
(In thou sands)			
	2001-02	2002-03	2003-04
High-Technology Grants for Local Law Enforcement	\$35,400	\$18,500	\$18,500
Reimbursement for Booking Fees	38,220	38,220	0
Property Tax Grant Program	52,093	51,500	60,000
Rural and Small County Law Enforcement	18,500	18,500	18,500
Citizens' Option for Public Safety (COPS)	232,600	232,600	232,600
Special Supplemental Subventions	1,200	1,400	0
State-Mandated Local Programs	15,843	3	3
Local Grants	7,752	0	0
Other	147	147	847
Total	\$401,755	\$360,870	\$330,450

1. High Technology Grants for Law Enforcement. This program provides grants to local law enforcement agencies for purchase of high-technology equipment for crime prevention and suppression. Eligible local agencies include cities, counties, and the special districts that provide law enforcement services. The program was funded on a one-time basis for the first time in 2001-02 at \$35.4 million. The funds were allocated on a per capita basis with minimum grants per agency of \$30,000. Funding in 2002-03 was \$18.5 million with minimum grants of \$15,000.

The budget proposes to provide the third year of one-time funding at \$18.5 million with minimum grants of \$15,000. Budget bill language provides that each recipient agency shall report to DOF on or before August 15, 2004 on how the funds were spent.

One of the LAO "options" is to eliminate funding for this program.

2. Citizens' Option for Public Safety (COPS) and Juvenile Crime Prevention Programs.

The COPS program funds local law enforcement, sheriffs' departments for jail construction and operations, and district attorneys for prosecution. Funds from COPS are allocated to cities, counties, and the few special districts that provide law enforcement services. In 2000, this program was expanded to include funding for county juvenile crime prevention programs. Funding for this program is extended at the current-year level of \$232.6 million (\$116.3 million for COPS and \$116.3 million for Juvenile Justice programs).

One of the LAO "options" is to eliminate funding for the COPS program and to suspend the Juvenile Justice grants for one-year.

3. Rural and Small County Law Enforcement Grants. As part of the 2001-02 budget compromise, an annual appropriation of \$18.5 million was provided in statute to provide grants to county sheriffs to enhance law enforcement in the 37 smallest counties. Each county received a grant of \$500,000. The funds must be used to supplement not supplant existing resources, but there are no reporting requirements on expenditures.

One of the LAO "options" is to adopt trailer bill language to eliminate funding for this program.

4. Booking Fees. Counties are authorized to charge cities, special districts, and school districts a "booking fee" for the cost of booking persons arrested by another local entity into the county jail. Commencing with 1999-2000 fiscal year, an amount up to \$50 million is annually appropriated in statute to reimburse cities and qualified special districts for booking fees paid to counties in 1997-98. The amount expended annually has been \$38.2 million.

The budget proposes trailer bill language to eliminate this reimbursement.

Does the subcommittee wish to adopt trailer bill language eliminating this reimbursement?

5. Special Subventions for Redevelopment Agencies. Business inventory was exempted from the property tax in 1982-83. The state reimbursed the property tax revenue loss to local governments. The state reimbursements were eliminated in 1984-85.

A special subvention program was established to reimburse the property tax loss related to bond debt of redevelopment agencies. The Controller allocates funds to redevelopment agencies that have pledged special supplemental subventions as security for payment of the principal and interest on bonds and have insufficient funds to cover their maximum annual debt service requirement on those bonds. The only two redevelopment agencies that still receive these subventions are Huntington Park and Santa Maria.

When the program began in 1984-84, the subvention to redevelopment agencies was about \$50 million. The state subvented \$1.2 million in 2001-02 and \$1.4 million in the current year for this purpose. The budget proposes trailer bill language to eliminate funding for this subvention permanently.

How will these redevelopment agencies be able to make their bond payments?

Does the Subcommittee want to adopt the trailer bill language?

6. Redevelopment Agency Property Tax Transfer. The budget proposes trailer bill language to transfer 25 percent of the property tax increment allocated to redevelopment agencies that otherwise would have been received by schools to ERAF in 2003-04. This transfer is estimated to be \$250 million and would reduce General Fund apportionments to K-14 education by the same amount.

The trailer bill language provides that if a redevelopment agency cannot meet the tax increment transfer to ERAF because of debt or other contractual obligations, the county auditor shall transfer the property tax from the sponsor city or sponsor county of the redevelopment agency.

In future fiscal years, RDA's would increase this transfer by 5 percent per year until the schools receive the amount of local property tax they would have received if there were no redevelopment agency within their boundaries.

How would funding for affordable housing from the redevelopment agencies' Low and Moderate Income Housing funds be affected?

How much of the proposed redevelopment tax increment transfer would become an immediate and direct obligation of the sponsor city or county?

7. Funds for Counties for Administration of the Property Tax. The budget proposes funding of \$60 million to assist counties with the administration of the property tax. This amount is intended to reimburse counties for the cost of administration of the property tax allocated to K-12 and community college school districts. School districts receive over 50 percent of the property tax, but do not reimburse counties for the cost of administration.

The grants per county are specified in statute, but the amount expended is contingent upon a budget act appropriation. These funds must be used to supplement and not supplant existing funding. The determination of whether or not the funds supplement existing funding is, however, conditioned upon the amount of funds expended in the 1993-94 or 1994-95 fiscal year, whichever is less. For counties that did not participate in the program in 1995-96, the base year would be 1995-96.

Does the subcommittee want to consider trailer bill language setting a more recent year for determining whether or not the funds supplement or supplant existing funds?

9100 Tax Relief

California offers a variety of tax relief programs by appropriating funds through a reduction in rates or nonrefundable tax credits. The state also provides the following tax relief through the appropriation of funds for payments to individuals or reimbursement of local agencies. Relief proposed in 2003-04 is \$1.6 billion, or 50.2 percent, less than the amount provided in 2002-03. This decline is due to the elimination of Open Space Subventions and the elimination of the general-purpose backfill to local governments of the Vehicle License Fee (VLF) offsets.

Summary of Expenditures (In thousands)

	2002-03	2003-04	\$ Change	% Change
Senior Citizens' Property Tax Deferral	\$12,800	\$11,900	(\$900)	-7.0
Senior Citizens' Property Tax Assistance	36,501	37,961	1,460	4.0
Senior Citizen Renters' Tax Assistance	151,735	157,805	6,070	4.0
Homeowners' Property Tax Relief	414,213	419,600 0	5,387	1.3
Open Space Subventions	39,000		(39,000)	-100.0
Substandard Housing	44	44	44	0.0
Vehicle License Fee Offset	2,585,291	987,014	(1,598,277)	-61.8
State-Mandated Local Programs	3	3	3	0.0
Total	\$3,239,587	\$1,614,327	(\$1,625,260)	-50.2

The budget proposes trailer bill language deleting subventions for Open Space Contracts and Vehicle License Fees. The changes in expenditures for other tax relief programs are due to changes in the number of eligible claimants.

Issues

1. Vehicle License Fee Subventions to Cities and Counties. The budget proposes trailer bill language to eliminate the VLF backfill to cities and counties commencing in February 2003 for current year savings of \$1.3 billion and budget year savings of \$2.9 billion. The budget does not eliminate the backfill for county realignment funds or funds related to the Orange County bankruptcy. The Senate and Assembly both rejected the proposal to eliminate the current year VLF backfill in the First Extraordinary Session.

The budget does not propose increasing the VLF to ensure that both the state and local governments are held harmless. The Senate approved AB 1105 in August 2002 and AB 4 X in the First Extraordinary Session in 2003, which would have clarified the mechanism for reducing the VLF offset if there is a shortfall in General Fund revenues available to reimburse local governments. Although the finding of insufficient revenues is calculated on a monthly basis, the revenue estimate for full year General Fund savings would be approximately \$3.9 billion in circumstances where there are insufficient General Fund revenues to reimburse local governments. Both the Senate and Assembly approved AB 4X, but the bill has been in enrollment since February 3, 2003.

The Director of Finance and the State Controller issued a joint legal opinion on March 10, 2003 indicating the Director of Finance and the State Controller must each make findings on the condition of the General Fund. The opinion asserts that revenues from external borrowing that spans two fiscal years should not be considered “available” moneys to the General Fund. The Department of Finance would request a statement of cash from the State Controller. The Department of Finance would be required to “examine the budgetary revenue forecasts and projected disbursements for the current fiscal year as adjusted by the May Revision, as well as the forecasts for the fiscal year beginning July 1, 2003”. The Department of Finance would then make a finding whether or not the statutory conditions necessary for the provision of the offset can be met. If DOF finds that the conditions to continue the offset are not met, the Department of Finance must give notice to Department of Motor Vehicles and the Department of Housing and Community Development (trailer coach fees on mobilehomes) to discontinue the VLF offset.

If a finding is made that there is insufficient General Fund revenue to continue the VLF offsets, there would be no reduction in the VLF offset until three months later due to VLF billing procedures.

Does the Subcommittee wish to adopt the proposed trailer bill language eliminating the General Fund payments to local governments to reimburse for the VLF offset?

2. Open Space Subventions. This program allows cities and counties to contract with landowners to limit the use of land to agricultural, scenic, and open space purposes. In exchange, these properties are assessed at other than market value based on their limited use. The state subventions to local agencies are based on the amount and type of land under contract, rather than the actual reduction in local property tax revenues.

The contracts entered into between local governments and property owners are ten-year contracts. The contracts are generally renewed each year for an additional year, so that their term is always ten years. If the contract is not renewed, the tax on the property gradually returns over a ten-year period to the level at which comparable but unrestricted land is taxed.

In 2002-03, \$39 million was budgeted for payments to local governments with Williamson Act contracts. The budget proposes to eliminate subventions in the current year for savings of \$39 million (GF). Local governments would still be required to assess the property under terms of the contracts because the contracts are only cancelable under limited circumstances.

The LAO recommends that the Legislature either:

- *Phase out the subventions coinciding with the gradual increase in property taxes received by participating local governments, or*
- *Reduce the funding for the program by 10 percent annually. This approach would save \$3.9 million in 2003-04, with the full \$39 million in annual savings realized after the full ten-year phase-out of subventions.*

Does the Subcommittee want to restore funding, phase out funding, or approve as budgeted with no appropriation?

8885 Commission on State Mandates

The Commission on State Mandates (COSM) acts as a quasi-judicial body to assume authority for the initial determination of state mandated costs. COSM consists of the Director of Finance, the Controller, the Treasurer, the Director of the Office of Planning and Research, a public member with experience in public finance, and two additional members from the categories of city council member, county supervisor, or school district board member. The appropriations included in this budget are for administrative costs only; the reimbursement of mandates is distributed through the budgets of various state departments depending on subject matter.

Background: The California Constitution requires the state to reimburse schools and other local agencies if it "mandates" a new program or higher level of service. The state has generally funded ongoing mandates in the budget act. Once the COSM has taken action and the SCO approve a statewide estimate for mandated costs of a new mandate; the state generally funds the costs in an omnibus mandate reimbursement bill. If there are insufficient funds to pay all existing local mandate claims, the bill usually includes funding for the additional costs.

In 2002-03, the state did not fund noneducation mandates in the budget or claims bill, but deferred all mandate reimbursements to an unspecified date. Because the state did not repeal or suspend local governments' legal obligations, however, local agencies must carry out these mandated tasks despite the delay in reimbursement.

The amount appropriated for reimbursing local mandated costs was \$309.4 million (GF) in 2001-02 and \$113.4 million (GF) in the current year. The budget deferred payments to local governments for 2002-03 mandate claims, prior-year deficiencies, and newly identified mandate claims. The LAO estimates the state's costs to pay these deferred claims will total about \$800 million.

Proposed Budget: The budget proposes to continue deferring all general government mandate reimbursements in 2003-04. The LAO estimates that the deferral of these payments will result in costs of an additional \$400 million in the budget year for a total deferred cost of \$1.2 billion at the end of 2003-04.

Pursuant to the California Constitution and state law, these mandate deferrals essentially are a "loan" from local governments that the state eventually must repay with interest.

LAO Recommendation: *The LAO recommends that the Legislature adopt the policy of either funding a mandate—or eliminating the state's liability for the mandate. The Legislature can eliminate its liability for a mandate by:*

- Repealing the mandate.

-
- Modifying the mandated requirement to make it optional or to permit local governments to offset their costs through fees or program-related savings.
 - Suspending the mandate for the budget year pursuant to Government Code Section 17581. This has the effect of suspending local government's requirement to perform the mandated activity and the state's obligation to reimburse.

The state has fiscal responsibility for 59 ongoing general government mandates costing approximately \$300 million annually, plus another 26 mandates that the state has suspended annually for a decade.

While many of the 46 other ongoing general government mandates involve beneficial governmental procedures, the LAO recommends that they be suspended or repealed in light of the state's fiscal difficulties.

In terms of the 26 mandates that have been suspended annually for a decade, the LAO recommends that these mandates be permanently repealed. According to the LAO, most of these long-suspended measures impose relatively minor local government requirements and their repeal would eliminate any potential confusion regarding local government obligations.

Deferral of Payment for State Mandates. The budget proposes reimbursing local government \$1,000 for specified mandates and paying the full cost in future fiscal years with statutorily required 3 percent compounded interest. Local governments will still be required to perform the mandate, but their payment will be deferred. The mandates in the jurisdiction of Subcommittee 4 are:

1880 State Personnel Board

Peace Officer Procedural Bill of Rights (POBOR). Seeking to ensure stable employer-employee relations and effective law enforcement services, the Legislature enacted POBOR, Chapter 465, Statutes of 1976 (AB 301, Keysor). This measure provides a series of rights and procedural protections to peace officers that are subject to interrogation or discipline by their employer.

In 1995, the City of Sacramento filed a claim with the Commission on State Mandates, alleging that POBOR (including nine subsequent legislative measures that clarified or expanded POBOR) constituted a reimbursable state-mandated program pursuant to the California Constitution.

In 1999, the commission adopted its "Statement of Decision," finding to be a mandate certain procedural requirements of POBOR that exceeded the rights provided all public employees under the due process clause of the United States and California Constitutions.

To guide local agencies in their preparation of mandate claims, the commission adopted a reimbursement methodology." Local agencies submitted claims to the State Controller's Office (SCO). In March 2001, based on the claims submitted to the SCO,

the commission adopted a statewide cost estimate, projecting the annual costs of the POBOR mandate to be \$26.5 million and prior-year costs to be \$126 million.

After the COSM adopts a statewide cost estimate, the state generally reimburses local governments through the annual claims bill. In 2001, the budget funded \$50 million for reimbursement of POBOR costs in the claims bill and the remaining \$102.5 million in prior year reimbursements in future years.

The 2002-03 budget deferred \$25 million in 2002-03 reimbursements and the \$102.5 million in prior year reimbursements. These funds are included in the State Personnel Board budget. The budget also directed the Bureau of State Audits to conduct an audit on claims submitted to the State Controller's Office for reimbursement of the POBOR mandate. This audit was to be completed by March 30, 2003.

The LAO reviewed these claims and found a greater number of local governments submitting reimbursement claims than was anticipated by the commission in its statewide cost estimate. They also noted that some local governments have amended their claims to request higher reimbursement amounts. Based on this review, the LAO estimated that the annual state cost associated with these peace officer procedural protections is likely to be two to three times higher than the amount projected by the commission, or \$50 million to \$75 million annually.

This amount is comparable to the state's annual costs to provide all peace officer training programs run by the Commission on Peace Officer Standards and Training. The cost of the mandate was thought to be insignificant at the time the Legislature enacted POBOR.

The 2002-03 budget included the following budget bill language:

The Joint Legislative Audit Committee shall authorize an audit of the claims submitted to the State Controller's Office for reimbursement of the POBOR mandate. The audit should consider:

- a) Whether the mandate's parameters and guidelines clearly and precisely reflect the mandate's statement of decision and, if not, why parameters and guidelines meeting this standard were not enacted.
- b) Whether mandate claims submitted by local agencies and school districts are consistent with the mandate's parameters and guidelines.
- c) Factors explaining the wide variation in costs claimed, including different approaches used by consultants and financial incentives provided to local agencies relating to this claim.
- d) The accuracy of the Commission on State Mandates' statewide cost estimate for POBOR.

e) Requirements of the POBOR mandate that pose the greatest state-reimbursable costs.

The language required that the Bureau of State Audits report the results of the audit and make recommendations to budget subcommittees of each house, the Legislative Analyst, and the Department of Finance by March 30, 2003.

Because the language required JLAC to authorize an audit, JLAC could not take an action until their first meeting in March 2003. The audit has a high priority, but will not be completed until July.

0890 Secretary of State:

Voter Registration Procedures (Ch. 704//75)—Requires significant changes to voter registration procedures, including implementation of voter registration by mail and local voter outreach programs. Deferral of \$1.5 million (GF).

Absentee Ballots (Ch. 77/78 and 920/94)—Requires that absentee ballots be available to any registered voter who requests it. Deferral of \$8.3 million (GF).

Permanent Absent Voters (Ch. 1422/82)—Establishes the Permanent Absentee Voter program. Specifically, the test claim legislation requires counties to establish and maintain a list of permanent absent voters who provide evidence of physical disability; mail absent voter ballots to those individuals prior to each election; and delete any person who fails to return an executed absent voter ballot for any statewide primary or general election. Deferral of \$341,000 (GF).

0950 State Treasurer

Investment Reports: Cities and Counties (Ch. 783/95). Requires cities and counties to file investment reports. Deferral of \$3.5 million (GF).

2240 Housing and Community Development

Regional Housing Needs Allocation Process (Ch. 1143/80).

Local governments are required to zone enough land at appropriate densities to meet all of their housing needs for each income group and to reduce barriers that prevent the identified sites from being developed. Council of Governments (COGs) are required to allocate to each community its share of the regional housing need. The costs to COGs are reimbursable as a state mandate. Cities and counties are compensated for the identification of sites in their housing element to meet the targets assigned to them by COG. In addition, some local governments have received reimbursement for the costs of "review" of the proposed housing need allocations and for the costs of completing some recent additions to the housing element itself.

The state reimbursement for this mandated program (\$867,000 GF) was deferred in 2002-03. The budget proposes to appropriate \$1,000 so that the mandate continues but the reimbursement is deferred.

The LAO states that the cost of reimbursing for this mandate has been about three times the amount appropriated in the budget act.

Does the subcommittee wish to defer payment of this mandate?

Does the subcommittee wish to fund the annual reimbursable costs of \$750,000 for COGs?

Should local governments be exempt from reviewing the regional housing needs allocation? How much would this save?

9100 Tax Relief

Senior Citizens' Property Tax Deferral Program (Ch.1242/77) Requires tax collectors to submit claims to the SCO for reimbursement for property tax deferral program. Deferral of \$291,000 (GF).

Countywide Tax Rates (Ch.921/87). Requires county auditors to allocate and account for property tax revenues derived from State (BOE)-assessed properties. State-assessed property tax revenues are allocated on a countywide basis, unlike locally-assessed revenues, which are allocated on a situs basis. Deferral of \$387,000 (GF).

Allocation of Property Tax Revenue (Ch.697/92). Requires counties to implement, plan, administer, report, and account for new/changed property tax allocations for schools, including ERAF. Deferral of \$381,000 (GF).

9210 Local Government Financing.

Test Claims and Reimbursement Claims (Ch.486/75). This reimburses for costs incurred in preparing and presenting test claims, including attorney services and travel. Reimbursement is allowed only if the claim is successful. – Deferral of \$3.2 million (GF).

Open Meetings Act Notices (Ch.641/86). Requires local agencies/legislative bodies to post a single agenda containing a brief description of items to be heard, and specifying the time and location of the meeting. Deferral of \$.31 million (GF).

Rape Victim Counseling Center Notices (Ch.999/91) Costs for local law enforcement agencies to reprint and provide to rape victims with information cards, obtain consent to notify local rape counseling center, notify the center, and verify, with consent, that the counseling center has been notified. Deferral of \$160,000

For Vote Only

Consumer Affairs - Loans to the General Fund

The budget proposes a variety of loans from the unexpended balances of special funds to the General Fund. A trailer bill was enacted in the First Extraordinary Session with the following conditions for the loans:

- 1) The loan is authorized in the 2003-04 Extraordinary Session or the 2003 Budget Act;
- 2) The terms and conditions of the loan are set forth in the loan authorization, including an interest rate;
- 3) The loan is considered part of the balance of the fund or account; and
- 4) A fee or assessment may not be increased as a result of the loan.

The bill also provides that moneys loaned may not be considered a transfer of resources for purposes of determining the legality of the use of those funds. The bill requires the Director of Finance to order the repayment of all or a portion of the loan if it is determined that 1) the fund or account from which the loan was made has a need for the money or 2) the need for the moneys in the fund or account that received the loan no longer has a need for the money.

1111 Bureau of Security and Investigative Services.

The budget proposes a loan of \$4 million from the Private Security Services Fund to the General Fund. This proposed loan would leave a 2003-04 fund balance of about \$2 million or about 28 percent of the annual expenditures.

Approve this loan as budgeted.

1130 Board of Architectural Examiners

The budget proposes a loan of \$1 million from the California Board of Architectural Examiners-Landscape Architects Fund to the General Fund. This would leave a fund balance of \$525,000, or about 75 percent of the annual expenditures.

Increase the loan to the General Fund by \$225,000 to \$1,225,000.

The California Board of Architectural Examiners Fund has a balance of \$2.3 million or about 83 percent of budget year expenditures.

Approve a loan of \$1.8 million to the General Fund.

1230 Contractors' State License Board

The budget proposes a loan of \$5 million from the Contractors' License Fund to the General Fund. The \$11 million current year loan would be repaid in September 2003. This proposed loan and the repayment of the current year loan would leave a 2003-04 fund balance of \$10.7 million or about 23 percent of the annual expenditures.

Increase the loan to the General Fund by \$3.7 million.

1260 Dental Board of California

The budget proposes a loan of \$5 million from the State Dentistry Fund to the General Fund, in addition to the current year loan of \$5 million approved in last year's budget. This proposed loan would leave a 2003-04 fund balance of \$1.7 million or about 24 percent of the annual expenditures.

Approve the loan as budgeted.

1400 Acupuncture Board

The budget proposes a loan of \$1 million from the Acupuncture Fund to the General Fund. This proposed loan would leave a 2003-04 fund balance of \$1.0 million or about 33 percent of budget year expenditures.

Increase the General Fund loan by \$500,000 to \$1.5 million.

1475 California Board of Occupational Therapy

The budget proposes a loan of \$1 million from the Occupational Therapy Fund to the General Fund. This proposed loan would leave a 2003-04 fund balance of \$913,000 or about 150 percent of the annual expenditures.

Approve the loan as budgeted.

1520 Court Reporters Board of California

The budget proposes a loan of \$1 million from the Court Reporters Fund to the General Fund. This proposed loan would leave a 2003-04 fund balance of \$551,000 or about 87 percent of budget year expenditures.

Increase the General Fund loan by \$250,000 to \$1.25 million.

1580 Board of Vocational Nurse & Psychiatric Technicians

The budget proposes a loan of \$1 million from the Vocational Nurse Examiners Fund to the General Fund. This proposed loan would leave a 2003-04 fund balance of \$1.8 million or about 42 percent of the annual expenditures.

Increase the General Fund Loan by \$1 million to \$2 million.

The budget also proposes a loan of \$1 million from the Psychiatric Technicians Account Vocational Nurse and Psychiatric Technician Examiners Fund to the General Fund. This proposed loan would leave a 2003-04 fund balance of \$395,000 or about 33 percent of the annual expenditures.

Approve the loan as budgeted.

8500 Board of Chiropractic Examiners

The State Board of Chiropractic Examiners Fund has a fund balance of nearly \$5 million and budget year expenditures of only \$2.3 million.

Approve a loan to the General Fund of \$4 million.